

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2018-257-WS**

IN RE: Application of Kiawah Island Utility,	)	
Inc. for Adjustment of Rates and Charges	)	
and Modifications to Certain Terms	)	
and Conditions for the Provision of Water	)	STIPULATION
and Sewer Service	)	

This Stipulation is entered into by Kiawah Island Utility, Inc. ("KIU" or "Company") and the Office of Regulatory Staff ("ORS") and the other undersigned parties to the above-referenced case (hereinafter collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, on October 17, 2018, KIU filed an Application for Approval of Water and Sewer Rates, Terms and Conditions ("Application") with the Public Service Commission of South Carolina ("Commission");

WHEREAS, the Parties entering into this Stipulation are parties of record in the above-captioned docket;

WHEREAS, after the ORS concluded its audit of KIU's application, the Parties engaged in discussions and agree to stipulate to the following facts:

1. An increase in water and sewer rates is necessary.
2. After the conclusion of the ORS's audit it proposed certain adjustments in its prefled Direct Testimony and KIU indicated in its prefled Rebuttal Testimony that it agreed with all the ORS's proposed adjustments excepting the recommended adjustment to operating margin.

3. The agreed upon adjustments are more particularly set forth in Exhibit "1" to this Stipulation.

4. KIU should be entitled to an adjustment in rates and charges sufficient to generate additional revenues for the test year of \$482,369 based on the test year revenues after adjustments proposed by ORS in its pre-filed testimony and exhibits, this amount to be adjusted for additional rate case expenses incurred through the date of the hearing and verified by ORS.

5. This additional revenue would result in an operating margin of 14.25% which is appropriate for KIU in this application based on its record of improvements in customer service, operational efficiency, and financial stability.

6. KIU will reflect in requested rate base of its next general rate filing all adjustments to rate base ordered by the Commission in the current case as well as their effects on related annual expenses such as depreciation and interest.

7. KIU will consult with the ORS before deploying an Advanced Metering Infrastructure ("AMI") in its system.

8. KIU will confer with ORS to determine whether a cost of service study should be conducted before KIU's next rate case.

9. The Tax Cuts and Jobs Act was enacted in December 2017 which changed the federal income tax rate from 34% to 21%. KIU will refund savings related to revenues generated from the reduction in federal tax expense for the period January 1, 2018 to April 24, 2019, in a single credit on its customers' monthly bill no later than ninety (90) days after the Commission issues its final

order in this case. The refund will be calculated according to the methodology agreed to by the ORS and KIU in the Memorandum of Understanding dated September 14, 2018 and included in the direct testimony of Donald Burkett.

10. KIU will cease charging fees for fire hydrants to the St. John's Fire Department upon issuance of a final order in this case and will recover the cost of maintaining the fire hydrants, which the parties agree is reasonable, through rates.

11. The Parties agree that this Stipulation does not constrain, inhibit or impair in any way the arguments or positions they may choose to assert in future proceedings.


12. The Parties agree not to offer evidence contradicting the facts in this Stipulation in this proceeding.

13. Each Party acknowledges its consent and agreement to this Stipulation by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of this Stipulation. Facsimile signatures and email signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Stipulation.

14. The Parties agree that in the event any Party should fail to indicate its consent to this Stipulation and the terms contained herein, then this Stipulation shall be null and void and will not be binding on any Party and will not be offered as evidence by any Party.

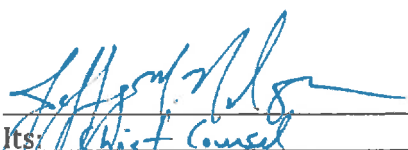
[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

KIAWAH ISLAND UTILITY, INC.

By:   
Its: ATTORNEY

March 18, 2019

OFFICE OF REGULATORY STAFF

By:   
Its: Chief Counsel  
March 15, 2019

ST. JOHN'S FIRST DISTRICT

By: Donald D. Rowe  
Its: General Counsel

March 18, 2019